

Kuala Lumpur Kepong (KLK MK)

1QFY26: Results In Line; Rebound In Downstream Earnings

Highlights

- KLK's 1QFY26 core net profit came in at RM382m (+67% yoy), meeting expectations at 27%/29% of ours and consensus estimates respectively.
- Sequentially, 1QFY26 core profit rebounded twofold as its downstream segment swung back into the black.
- Maintain BUY with an unchanged target price of RM22.25.

1QFY26 Results

Year to 30 Sep (RMm)	1QFY26 Qoq % chg	Yoy % chg	Remarks
Revenue	6,348	0.7	6.8
EBIT	647	28.5	34.7
Net finance cost	(115)	(3.4)	(5.4)
Associate & JV	0	(100.1)	(99.1)
PBT	596	102.6	40.7
Plantation	635	1.5	9.8
Manufacturing	42	(138.5)	(178.7)
Property	3	(86.2)	(60.2)
Net Profit	382	298.5	73.5
Core Net Profit	382	107.2	66.6

Source: Kuala Lumpur Kepong, UOB Kay Hian

Analysis

- **Results within expectations.** Kuala Lumpur Kepong's (KLK) 1QFY26 core net profit rose 107% qoq and 67% yoy to RM382m, deemed in line at 27% and 29% of ours and consensus respective full-year forecasts. On a yoy basis, the stronger results were driven by both its plantation business – largely on higher fresh fruit bunch (FFB) output of 6.5% yoy – and the downstream segment having recovered from a loss-making position last year. Sequentially, 1QFY26's over 100% core earnings rebound was primarily attributed to its downstream segment which also rebounded off losses in 4QFY25, led by better results across its oleochemical and refinery sub-segments. Upstream contribution maintained qoq despite a 9% rise in FFB output, partly offset by higher CPO production costs incurred during the quarter. Meanwhile, lower earnings contribution of RM3m by its property development segment (4QFY25: RM22m) was made up by its farming division which posted a RM11m profit vs a RM9m loss in 4QFY25.

Key Financials

Year to 30 Sep (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	22,274	25,020	33,041	34,054	34,716
EBITDA	2,864	3,099	3,421	3,877	4,064
Operating profit	1,817	2,060	2,363	2,773	2,915
Net profit (rep./act.)	591	818	1,414	1,691	1,743
Net profit (adj.)	899	1,004	1,413	1,690	1,742
EPS (sen)	83.3	93	131	156	161
PE (x)	24.1	20.6	14.6	12.2	11.9
P/B (x)	1.5	1.4	2.1	2.0	1.9
EV/EBITDA (x)	1.4	2.0	3.4	4.1	4.2
Dividend yield (%)	1.4	2.0	3.4	4.1	4.2
Net margin (%)	3.2	3.3	4.3	5.0	5.0
Net debt/(cash) to equity (%)	50.2	65	100	96	87
Interest cover (x)	8.0	7.4	7.7	7.9	7.2
ROE (%)	5.8	4.2	9.8	13.3	13.7
Consensus net profit	-	-	1,310	1,376	1,376
UOBKH/Consensus (x)	-	-	1.079	1.228	1.266

Source: KLK, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM19.18
Target Price	RM22.25
Upside	16.0%

Analyst(s)

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	KLK MK
Shares issued (m):	1,096.4
Market cap (RMm):	22,673.3
Market cap (US\$m):	5,345.7
3-mth avg daily t'over (US\$m):	5.6

Price Performance (%)

52-week high/low RM22.66/RM18.34

1mth	3mth	6mth	1yr	YTD
3.2	0.1	(0.6)	(1.1)	(6.4)

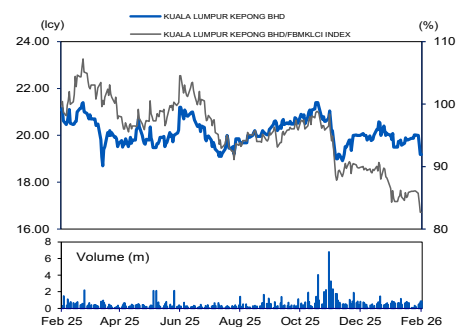
Major Shareholders

	%
Batu Kawan Bhd	47.9%

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	13.6
FY26 Net Debt/Share (RM)	6.84

Price Chart



Source: Bloomberg

Company Description

Plantation company also engaged in downstream manufacturing and property development.

- Prospects.** In its results commentary, management expects CPO prices to trade between RM3,900 to RM4,300 per tonne in 2QFY26, with prices pressured by elevated inventory levels in the short term but potentially also supported by an increase in Indonesia's export levies from Mar 26. For its plantation segment, the group expects to record sustained yield improvement on a yoy basis given ongoing agronomic initiatives. For the downstream segment, the heavy losses suffered in 4QFY25 – which included pre-commissioning expenses for new plants, as well as forex losses – are not expected to recur; nonetheless, management continues to see a tight margin environment even though refining margins were observed to have improved in 1QFY26. On the flipside, trading activities are expected to be supported by the current moderate CPO price environment.
- 2QFY26 outlook.** 2QFY26 results are expected to come in sequentially softer in tandem with the low production season for its estates; the group's FFB output reported for Jan 26 has begun to soften by 6% mom (albeit still up 8% yoy). For the downstream segment, earnings contribution may remain volatile amid stiff industry competition as well as fluctuations in palm oil tax measures between Malaysia and Indonesia, but this is expected to remain in positive territory relative to previous quarters' losses. On a separate note, headline profit for the quarter may be affected by continuing share of losses attributed to its associate Synthomer amid ongoing business restructuring initiatives.

Valuation/Recommendation

- Maintain BUY with an unchanged target price of RM22.25.** Our valuation is pegged to 17x FY26F PE (-1SD the average five-year mean 23x). We continue to like KLK as a laggard sector play backed by its estates' positive production growth profile, while we also anticipate its downstream segment to begin stabilising in FY26 relative to pre-tax losses of RM174m registered in FY25.

Earnings Revision/Risk

- Earnings estimates.** We make no changes to our FY26-27 estimates while introducing our FY28 estimates at the same time. FY26F core profit is forecasted to rise 41% yoy, driven by an anticipated rebound in downstream profitability from stiff losses incurred last year, while upstream contribution is expected to maintain on the back sustained positive production output despite marginally lower ASPs expected for the year ahead.

Share Price Catalyst

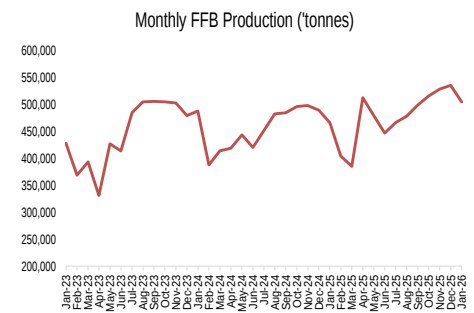
- Better-than-expected CPO prices and production growth.
- Marked recovery in downstream operating margins.
- Potential M&A activities.

FY26F Assumptions

	FY26F
FFB production growth	2.0% yoy
CPO Prices (Spot)	RM4,250/tonne
Downstream Margin	1.0%

Source: UOB Kay Hian

Monthly FFB Production Growth YoY



Source: KLK

ESG Roadmap

Environmental

- All Malaysian estates are MSPO certified, while Inc
- Committed to no deforestation, no peat land and no

Social

- Smallholders' development and best practices train

Governance

- Transparent governance along with an Anti-Bribery

Profit & Loss

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Net turnover	25,020	33,041	34,054	34,716
EBITDA	3,099	3,421	3,877	4,064
Deprec. & amort.	1,039	1,057	1,104	1,149
EBIT	2,060	2,363	2,773	2,915
Total other non-operating income	168	170	171	170
Associate contributions	-108	100	100	100
Net interest income/(expense)	-420	-446	-491	-565
Pre-tax profit	1,514	2,189	2,553	2,621
Tax	-540	-525	-613	-629
Minorities	-156	-249	-249	-249
Net profit	818	1,414	1,691	1,743
Net profit (adj.)	1,004	1,413	1,690	1,742

Balance Sheet

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Fixed assets	12,959	13,561	14,145	14,682
Other LT assets	21,105	21,501	22,123	22,704
Cash/ST investment	2,492	3,676	5,391	7,211
Other current assets	4,969	4,969	4,969	4,969
Total assets	31,738	35,901	38,411	41,350
ST debt	5,246	4,946	4,646	4,346
Other current liabilities	1,940	1,977	2,017	2,067
LT debt	6,449	8,471	10,487	12,504
Other LT liabilities	976	5,631	5,631	5,631
Shareholders' equity	14,265	9,727	10,153	11,024
Minority interest	1,243	1,492	1,741	1,990
Total liabilities & equity	31,738	35,901	38,411	41,350

Cash Flow

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Operating	-306	2,566	2,484	2,615
Pre-tax profit	1,514	2,189	2,553	2,621
Tax	-540	-525	-613	-629
Deprec. & amort.	1039	1057	1104	1149
Working capital changes	-2252	306	-100	-65
Other operating cashflows	-67	-461	-461	-461
Investing	-1,641	-1,641	-1,641	-1,641
Capex (maintenance)	-1641	-1641	-1641	-1641
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	1308	1010	871	845
Dividend payments	-409	-707	-846	-871
Issue of shares	0	1	2	2
Proceeds from borrowings	2017	2017	2017	2017
Loan repayment	-300	-300	-300	-300
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	-639	1,934	1,714	1,819
Beginning cash & cash equivalent	2,381	1,742	3,676	5,391
Changes due to forex impact	0	1	1	1
Ending cash & cash equivalent	1,742	3,676	5,391	7,211

Key Metrics

Year to 30 Sep (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.4	10.4	11.4	11.7
Pre-tax margin	6.1	6.6	7.5	7.5
Net margin	3.3	4.3	5.0	5.0
ROA	4.0	4.5	4.2	4.3
ROE	12.9	11.9	10.8	11.3
Growth				
Turnover	12.2	9.4	4.3	0.3
EBITDA	21.1	6.4	5.4	3.4
Pre-tax profit	24.2	17.7	9.3	4.3
Net profit	17.8	33.7	9.3	4.3
Net profit (adj.)	17.8	37.7	9.3	4.3
EPS	17.8	37.7	9.3	4.3
Leverage				
Debt to total capital	75.4	119.6	127.2	129.5
Debt to equity	82.0	137.9	149.1	152.8
Net debt/(cash) to equity	64.5	100.1	96.0	87.4
Interest cover (x)	7.4	7.7	7.9	7.2

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